

**EXAMINATION REPORT**  
**OF**  
**HIGHMARK BCBSD INC.**  
**AS OF**  
**DECEMBER 31, 2021**

TRINIDAD NAVARRO  
COMMISSIONER



STATE OF DELAWARE  
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION  
OF  
HIGHMARK BCBSD, INC.  
AS OF  
DECEMBER 31, 2021

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

A handwritten signature in blue ink, reading "Trinidad Navarro", is positioned above a horizontal line.

Trinidad Navarro  
Insurance Commissioner

Dated this 7th day of June, 2023

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May 31, 2023

Honorable Trinidad Navarro  
Commissioner  
Delaware Department of Insurance  
1351 W. North St., Suite 101  
Dover, Delaware 19904

Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Examination Certification No. 22.013, dated January 11, 2022, an examination has been made of the affairs, financial condition and management of

**HIGHMARK BCBSD INC.**

hereinafter referred to as the Company or BCBSD. The Company was incorporated under the laws of the State of Delaware as a non-stock company with its registered and home office located at 800 Delaware Avenue, Wilmington, Delaware 19801. The Company's administrative office is located at 120 Fifth Avenue, Pittsburgh, Pennsylvania 15222.

**SCOPE OF EXAMINATION**

We have performed our multi-state examination of BCBSD. The last examination was conducted as of December 31, 2019, by the Delaware Department of Insurance (Department). This examination covers the two-year period from January 1, 2020 through December 31, 2021. Our examination was performed as part of the coordinated multi-state examination of the Highmark

Health Group (HH). The lead state for the coordinated examination is the Pennsylvania Insurance Department.

We conducted our examination in accordance with the *National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the State of Delaware. The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as mentioned in 18 *Del. C.* § 321, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, PricewaterhouseCoopers LLP (PwC). Certain auditor work

papers of the 2021 audit of the Company have been incorporated into the work papers of the examiners and have been utilized in determining the scope, areas of emphasis in conducting the examination and in the area of risk mitigation and substantive testing.

### **SUMMARY OF SIGNIFICANT FINDINGS**

There were no significant findings or material changes in financial statements as a result of this examination.

### **COMPANY HISTORY**

The Company was originally incorporated by the filing of a Certificate of Incorporation with the Secretary of State on August 16, 1935, as a private non-profit, non-stock corporation. The Company operates as a health service corporation in the State of Delaware and is a licensee of the Blue Cross and Blue Shield Association. The Company continues to underwrite various indemnity and managed care health insurance products, as well as Medicare supplemental, dental and vision products and also provides administrative services contracts to self-funded plans.

On December 30, 2011, the Delaware Commissioner approved an affiliation between Highmark Inc. (Highmark) and the Company imposing forty-nine (49) conditions on the affiliation that, among other things, were intended to preserve the Company's surplus and make it possible for the Company to disaffiliate, if necessary. Effective January 1, 2012, Highmark became the sole member of the Company, giving it the authority to elect the Company's Board of Directors (Board). The Company is a separate legal entity and is not liable for Highmark's obligations. In accordance with the Amended and Restated Certificate of Incorporation, in the event the Company dissolves, the Directors shall cause any remaining assets of the Company to be distributed to a foundation created pursuant to 29 *Del. C.* § 2533, or to a federally tax-

Highmark BCBSD Inc.

exempt organization. The Directors have discretion as to which qualified organization or organizations receive the distribution.

On April 26, 2013 the Delaware Commissioner approved the indirect control of the Company by the ultimate parent entity, later named Highmark Health (HH). On April 29, 2013, lead State Pennsylvania's Insurance Department approved the affiliation of Highmark/West Penn Allegheny Health System. Pursuant to these two orders, HH became the sole member of Highmark and the ultimate controlling entity within the holding company system.

#### Capitalization

In accordance with Article III, Section 3.1 of its amended and restated bylaws, the Company is a membership corporation, operating as a not-for-profit organization, with no authority to issue capital stock.

#### Dividends

The Company's organizational structure does not allow for dividends to be paid.

#### Surplus Note

On December 31, 2021, the Company held an unrated \$10,000,000 surplus note from Highmark BCBSD Health Options Inc. (HHO) that was originally acquired on November 21, 2014. The surplus note has a stated maturity date of December 31, 2025, and interest is accrued at a variable rate per annum equal to the most recently issued one year U.S. Treasury Bill plus 650 basis points. Because the surplus note is not rated by the NAIC's Investment Analysis Office, in accordance with SSAP No. 41, a statement factor was applied which reduced the admitted value of the surplus note to \$0 on December 31, 2021.

## **MANAGEMENT AND CONTROL**

### **Directors**

Pursuant to Article V, Section 5.2(a) of the Company's amended and restated bylaws, the number of Directors that constitutes a full Board shall be nine (9), consisting of four (4) Class 'A' Directors, four (4) Class 'B' Directors and the President of the Company in office. The number of Directors may be changed from time to time, in accordance with Article 13 of the amended and restated Certificate of Incorporation.

Each Class 'B' Director shall be elected annually by the sole member. Each Class 'A' Director shall hold office for three (3) years and then is subject to nomination by the Nominating Committee. The majority of the Board shall consist of: 1) persons not employed by the Company or any of its affiliates and 2) persons who are residents of the State of Delaware and have been so for at least five (5) years. Directors serving on the Company's Board as of December 31, 2021, were as follows:

<u>Name and Residence</u>	<u>Principal Occupation</u>
Nicholas Anthony Moriello Lincoln University, Pennsylvania	President Highmark BCBSD INC.
William Harvey Willis, Jr. (Class A) (CH) Smyrna, Delaware	Automobile Dealer
William Dennis Cronin (Class B) Oakdale, Pennsylvania	Senior Vice President, Treasury Highmark Health
Timothy John Constantine (Class B) Wilmington, Delaware	Executive Vice President, Commercial Markets Highmark Inc.
Michael George Warfel (Class B) Camp Hill, Pennsylvania	Vice President, Government Affairs Highmark Inc.
Randeep Singh Kahlon, M.D. (Class A) Hockessin, Delaware	Physician First State Orthopaedics
Gregory Brian Williams, Esquire (Class A) New Castle, Delaware	Attorney Fox Rothchild LLP, Citizens Bank Center
Anthony Richard Heffron (Class B) Hockessin, Delaware	Retired
Rita Maria Landgraf (Class A) Wilmington, Delaware	Adminstrator and Faculty University of Delaware - College of Health Sciences

### Committees

Pursuant to Article V, Section 5.11 of the Company's amended and restated bylaws, the Board shall have two (2) standing committees: 1) Audit and Compliance Committee and 2) Nominating Committee. The Company may also have other ad hoc committees designated by resolution and passed by a majority of the Board in office. As of December 31, 2021, the following directors were members of the Audit and Compliance Committee:

<u>Name</u>	<u>Principal Occupation</u>
Randeep Singh Kahlon, M.D. (CH)	Physician, First State Orthopedics
Rita Marie Landgraf	Administrator and Faculty, University of Delaware
Anthony Richard Heffron	Retired
William Harvey Willis, Jr.	Automobile Dealer
Gregory Brian Williams, Esquire	Attorney, Fox Rothchild LLP, Citizens Bank Center

As of December 31, 2021, the following directors were members of the Nominating

Committee:

<u>Name</u>	<u>Principal Occupation</u>
Gregory Brian Williams, Esquire (CH)	Attorney, Fox Rothchild LLP, Citizens Bank Center
Randeep Singh Kahlon, M.D.	Physician, First State Orthopedics
Rita Marie Landgraf	Administrator and Faculty, University of Delaware
William Harvey Willis, Jr.	Automobile Dealer

#### Officers

Officers were elected in accordance with the bylaws during the period under examination.

The bylaws require election of a President, Secretary and Treasurer. Any number of offices may be held by the same person except the offices of President and Secretary. The principal officers serving as of December 31, 2021, were as follows:

<u>Name</u>	<u>Title</u>
Nicholas Anthony Moriello	President
Edward August Bittner, Jr.	Secretary
Donald Hays Dabkowski	Treasurer

The Company maintains a formal written Code of Conduct, which sets out the ethical guidelines to which all directors, officers and employees are expected to adhere to on a consistent basis when conducting business at and on behalf of the Company. Incorporated into the Code of Conduct is a conflict-of-interest policy. All directors, officers and employees are required to

complete a Conflict-of-Interest Disclosure statement upon appointment or hire and on an annual basis thereafter, and throughout the year as changes in circumstances arise that may either give rise to a potential conflict of interest or change or eliminate a potential conflict previously disclosed.

#### Corporate Records

The recorded Board and Committee minutes were reviewed for the examination period. The Board minutes adequately documented the Board's meetings and approval of Company transactions and events including approval of investment transactions. In addition, review of the Company's files indicated that in general, written correspondence was submitted to the Department with regards to the changes in officers and directors during the period under examination.

Receipt by the Board of the Report on Examination as of December 31, 2019 was noted in the minutes of the Audit Committee on March 5, 2021.

#### Insurance Holding Company System

The Company is a member of an insurance holding company system as defined under 18 *Del. C.* § 5001 (7) of the Delaware Insurance Code. The ultimate controlling entity within the holding company system is HH. The Company's Holding Company Registration Statements were timely filed with the Department for the years under examination.

An abbreviated presentation of the holding company system as of December 31, 2021, is as follows:

Highmark BCBSD Inc.

<u>Company</u>	<u>Domicile</u>	<u>% own</u>
Highmark Health	Pennsylvania	
Highmark Inc. <sup>(1)</sup>	Pennsylvania	100%
Highmark BCBSD INC.	Delaware	100%
Highmark BCBSD Health Options Inc. <sup>(2)</sup>	Delaware	100%

1. Highmark Inc. does business as Highmark Blue Cross Blue Shield and Highmark Blue Shield.
2. Highmark BCBSD Health Options Inc. is a Delaware non-profit company; the Company is the sole member.

### Agreements with Affiliates

With the affiliation of the Company within the Highmark Group effective December 30, 2011, the Company entered into certain intercompany agreements. The Company's significant intercompany agreements in effect as of December 31, 2021, include:

#### *Amended and Restated Administrative Services Agreement with Highmark Inc.*

Effective January 1, 2012, the Company entered into an Administrative Services Agreement (ASA) with Highmark in connection with the Affiliation approval. The agreement establishes a plan of systems conversion and integration priorities, performance standards, budgets and timelines to be developed after the affiliation conversion. Highmark's charge to the Company for services provided under the agreement is an amount equal to the Company's fair and reasonable allocable share of the total actual cost without provision for profit. Such costs shall include, without limitation, employee salaries, employee benefits and other direct and indirect administrative costs, including reasonable charges for corporate overhead.

Effective November 13, 2013, the ASA with Highmark was amended to add a Service Level Amendment for the purpose of defining, managing and measuring performance levels of support which will be provided to the Company.

#### *Administrative Services and Network Access Agreement with United Concordia*

Effective May 29, 2013, and as subsequently amended on January 1, 2015, July 1, 2018 and April 1, 2020, the Company entered into an Administrative Services and Network Access

Highmark BCBSD Inc.

Agreement with United Concordia Companies, Inc. (United Concordia). The Company engaged United Concordia to provide certain services to administer and support services for the Company's Blue Cross Blue Shield-branded dental business. This Agreement applies to administration of dental products that are branded and written by the Company.

*Administrative Services Agreement with Highmark Inc.*

Effective July 9, 2014, the Company entered into an ASA with Highmark. Under the agreement, the Company provides certain administrative and corporate services and makes available certain facilities and equipment to Highmark for its business operations.

*Investment Management Agreement with Highmark Health*

Effective January 11, 2018, the Company entered into an Investment Management Agreement with HH. Under the agreement, HH performs investment management and investment advisor services. As the Company's investment manager, HH will act in conformity with the Company's Investment Policy, together with such amendments as provided to HH from time to time at Company's discretion. HH agreed that all funds and invested assets of Company are the exclusive property of the Company, held for the benefit of the Company and are subject to the control of the Company.

*Administrative Services Agreement with Highmark and HHO*

Effective November 1, 2019, the Company entered into an Administrative Services Agreement with Highmark and HHO, pursuant to which Highmark and the Company provide administrative and corporate services as well as certain facilities and equipment to HHO necessary for HHO to conduct its Medicaid business operations in Delaware.

## **TERRITORY AND PLAN OF OPERATION**

### **Territory**

The Company is licensed to solicit business as a Health Service Corporation in the State of Delaware only, and as of December 31, 2021, had approximately 106,935 members total for all lines of business.

### **Plan of Operation**

The Company writes primarily comprehensive (medical and hospital) business and underwrites various indemnity and managed care health insurance products, as well as Medicare supplemental, dental and vision products. Most of the Company's business (approximately 51.4%) falls under the Federal ACA, and a significant portion of its business (approximately 48.6%) is not underwritten, meaning there is no insurance risk to the Company. For large, self-insured accounts, the Company processes claims payments and receives reimbursement for claims and expenses from the account.

The Company also offers administrative services only (ASO) to groups and accounts throughout the State of Delaware. The administrative services provided include management of benefits, adjudication and payment of claims, response to inquiries from covered individuals and health care providers and providing Plan Sponsors with information enabling them to manage their health benefit programs. The Company's ASO business serviced approximately 233,296 members as of year-end 2021.

The Company's core health insurance products are categorized into two (2) major segments, Group and Individual, as follows:

1. Group Business

Traditional

- Comprehensive Major Medical

Senior

- Medigap

Managed Care

- Exclusive Provider Organization, plan (EPO)
- Federal Employee Program (FEP)
- Preferred Provider Organization (PPO)
- Health Management Organization (HMO) <sup>(1)</sup>

1. Per the Company there was a very small population in the HMO product during the examination.

2. Individual Business

Individual

- Exclusive Provider Organization, plan (EPO)
- Preferred Provider Organization (PPO)

Senior

- Medigap Blue
- Medical Advantage Supplement product

The Company's 2021 direct premiums written by lines of business are reflected below:

<u>Line of Business</u>	<u>Direct Premiums Written</u>	<u>Percent of Premiums</u>
Individual Business	\$ 235,641,736	31.11%
Group Business <sup>(1)</sup>	<u>311,778,431</u>	<u>41.16%</u>
Total Comprehensive (Medical and Hospital)	\$ 547,420,167	72.28%
Medicare Supplement	22,035,856	2.91%
Dental Only	5,789,926	0.77%
Vision Only	1,225,362	0.16%
FEP <sup>(2)</sup>	180,722,395	23.87%
Other Health	<u>151,078</u>	<u>0.02%</u>
Total Premiums	<u>\$ 757,344,784</u>	<u>100.00%</u>

1. In 2021, approximately 50.26% or \$156,689,555 of the Group business was "ACA Small Group" business. The remaining 49.74% of the Company's "Group" business was non-ACA business in 2021.
2. The FEP Business is non-underwritten business; however, the NAIC Annual Statement has certain reporting requirements with regards to FEP business on certain schedules within the Annual Statement. As a result,

the Company must include the FEP business on the statutory balance sheet so that the balance sheet will tie to the supporting schedules of the Annual Statement.

### REINSURANCE

For 2021, the Company reported the following distribution of net premiums written:

Direct	\$ 757,344,784
Reinsurance assumed (from affiliates)	-
Reinsurance assumed (from non-affiliates)	-
Total direct and assumed	\$ 757,344,784
Reinsurance ceded (to affiliates)	-
Reinsurance ceded (to non-affiliates)	6,494,229
Net premium written	\$ 750,850,555

The Company had the following reinsurance program in effect as of December 31, 2021:

#### Assumed

The Company did not assume any business as of December 31, 2021 and does not have any assumed reinsurance contract in place.

#### Ceded

Effective January 1, 2019, the Company entered into a two-year excess of loss reinsurance contract with Renaissance Reinsurance U.S. Inc. to reinsure losses in excess of \$5,000,000 per covered person, per contract year on certain fully insured products of the Company. The contract permits either party to terminate, for cause, by giving no less than 30 days prior written notice for breach of the terms and conditions of the contract. This contract was not renewed upon expiration on January 1, 2021.

Effective July 19, 1994, amended May 2, 1995, the Company entered into an agreement with MedAmerica Insurance Company of New York (MANY), for one-hundred percent coverage of risk to reinsure the Company's long-term care (LTC) insurance. The Company's agreement

with MANY permits either party the right to terminate the agreement with 180 days' notice for new and renewal policies.

Effective September 1, 2020, the Company executed a reinsurance commutation agreement and mutual release with MANY. As of December 31, 2021, one-hundred percent of the LTC business ceded under the agreement with MANY had been commuted and settled.

In 2020, the State of Delaware, Delaware Health and Social Services (DHSS) implemented a state-run reinsurance program that reimburses individual plans that meet certain minimum criteria, as set forth in the *1332 State Innovation Waiver Application*. The fund is financed through an assessment on the individual, small and large group market premium amounts for all health insurance carriers operating in those markets in Delaware. The assessment will take place annually and may vary depending on the Federal government's actions on the annual fee under Section 9010 of the CARES Act.

There were no reinsurance credits taken in 2021.

#### Reinsurance Contract Review

A review was performed of reinsurance contracts put into place during the examination period for compliance with 18 *Del. Admin. Code* § 1000 “Reinsurance”<sup>(1)</sup> and NAIC Guidelines and Statutory Accounting Principles (SSAP). No exceptions were noted.

1. By its terms, 18 *Del. Admin. Code* § 1002 (“Life and Health Reinsurance Agreements”) applies to “all domestic life and accident and health insurers and to all other licensed life and accident and health insurers which are not subject to a substantially similar regulation in their domiciliary state” without reference to health service corporations.

**FINANCIAL STATEMENTS**

The following financial statements, as reported and filed by the Company with the Department, are reflected in the following:

General Account:

- Statement of Assets and Liabilities as of December 31, 2021
- Statement of Income for the Year ended December 31, 2021
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2019 to December 31, 2021

Statement of Assets and Liabilities  
As of December 31, 2021

	Assets	Assets Nonadmitted	Net Admitted Assets	Notes
Bonds	\$ 420,012,981	\$ -	\$ 420,012,981	
Common stocks	137,278,895	-	137,278,895	
Cash, cash equivalents, short-term investments	36,943,600	-	36,943,600	
Other invested assets	13,573,298	10,000,000	3,573,298	
Receivables for securities	34,756	-	34,756	
Securities lending reinvested collateral assets	1,227,919	-	1,227,919	
Subtotals, cash and invested assets	<u>\$ 609,071,449</u>	<u>\$ 10,000,000</u>	<u>\$ 599,071,449</u>	
Investment income due and accrued	2,672,960	-	2,672,960	
Premiums and considerations:				
Uncollected premiums and agents' balances in the course of collection	17,810,215	217,782	17,592,433	
Accrued retrospective premiums and contracts subject to redetermination	1,104,091	382,203	721,888	
Amounts recoverable from reinsurers	46,541,643	-	46,541,643	
Amounts receivable relating to uninsured plans	25,610,589	1,612,942	23,997,647	
Net deferred tax asset	16,897,839	6,820,305	10,077,534	
Electronic data processing equipment and software	222,277	102,799	119,478	
Furniture and equipment	33,958	33,958	-	
Receivables from parent, subsidiaries and affiliates	7,802,959	-	7,802,959	
Health care and other amounts receivable	27,849,680	3,335,889	24,513,791	
Aggregate write-ins for other than invested assets	<u>1,170,529</u>	<u>1,170,529</u>	<u>-</u>	
Total	<u>\$ 756,788,189</u>	<u>\$ 23,676,407</u>	<u>\$ 733,111,782</u>	

		<u>Notes</u>
Claims unpaid	\$ 68,660,820	1
Accrued medical incentive pool and bonus amounts	2,106,227	
Unpaid claims adjustment expenses	1,984,768	
Aggregate health policy reserves, including the liability for medical loss ratio rebate per the Public Health Service Act	8,019,951	
Aggregate health claim reserves	2,025,608	
Premiums received in advance	14,018,895	
General expenses due or accrued	94,747,308	
Current federal and foreign income tax payable and interest thereon	497,632	
Remittances and items not allocated	847,689	
Amounts due to parent, subsidiaries and affiliates	46,764,556	
Payable for securities	169,475	
Payable for securities lending	1,227,919	
Liability for amounts held under uninsured plans	4,904,137	
Aggregate write-ins for other liabilities	<u>24,585,543</u>	
Total liabilities	<u>\$ 270,560,528</u>	
Unassigned funds (surplus)	<u>462,551,254</u>	
Total Capital and Surplus	<u>\$ 462,551,254</u>	
Total liabilities, capital and surplus	<u><u>\$ 733,111,782</u></u>	

Statement of Income  
For the Year Ended December 31, 2021

Member months	1,248,436
Net premium income	\$ 750,850,555
Change in unearned premium reserves and reserve for rate credits	<u>7,186,998</u>
Total revenue	\$ 758,037,553
<b>Hospital and Medical:</b>	
Hospital / medical benefits	\$ 526,899,361
Prescription drugs	142,750,159
Aggregate write-ins for other hospital and medical	5,188,698
Incentive pool, withhold adjustments and bonus amounts	<u>1,065,070</u>
Subtotal	\$ 675,903,288
<b>Less:</b>	
Net reinsurance recoveries	<u>46,403,598</u>
Total hospital and medical	\$ 629,499,690
Claims adjustment expenses, including cost containment expenses	18,638,312
General administrative expenses	82,963,411
Increase in reserves for life and accident and health contracts	<u>1,306,212</u>
Total underwriting deductions	\$ 732,407,625
Net underwriting gain or (loss)	25,629,928
Net investment income earned	16,875,822
Net realized capital gains or (losses) less capital gains tax	2,646,397
Net investment gains or (losses)	\$ 19,522,219
Aggregate write-ins for other income or expenses	<u>(9,423,552)</u>
Net income or (loss) after capital gains tax and before all other federal income taxes	\$ 35,728,595
Federal and foreign income taxes incurred	<u>4,883,442</u>
Net income (loss)	<u><u>\$ 30,845,153</u></u>

Reconciliation of Capital and Surplus  
For the Period from the Prior Examination  
As of December 31, 2019, to December 31, 2021

	Aggregate Write- ins for Special Surplus Funds	Unassigned Surplus	Capital and Surplus
December 31, 2019	\$ 14,204,788	\$ 396,176,677	\$ 410,381,465
Operations 2020 <sup>(1)</sup>	-	28,969,795	28,969,795
Operations 2021 <sup>(2)</sup>	-	37,404,782	37,404,782
December 31, 2021 <sup>(3)</sup>	<u>\$ -</u>	<u>\$ 462,551,254</u>	<u>\$ 462,551,254</u>

(1) Represents:

Net income	\$ 29,528,776
Change in unrealized capital gains (losses)	(4,879,826)
Change in unrealized foreign exchange gain(losses)	-
Change in net deferred income tax	6,795,440
Change in non-admitted assets	(2,474,595)
Net Change in Surplus	<u>28,969,795</u>

(2) Represents:

Net income	\$ 30,845,153
Change in unrealized capital gains (losses)	9,763,878
Change in unrealized foreign exchange gain(losses)	-
Change in net deferred income tax	(1,955,010)
Change in non-admitted assets	1,471,437
Aggregate write-ins for gains or (losses) in surplus	(16,925,464)
Net Change in Surplus	<u>23,199,994</u>

(3) The Corporation was subject to an annual fee under Section 9010 of the ACA. This annual fee was allocated to individual health insurers based on the ratio of the amount of the entity's net premiums written during the preceding calendar year to the amount of health insurance for any U.S. health risk that was written during the preceding calendar year. As of December 31, 2019, the estimated fee of \$14,204,788 for 2020 was reclassified from unassigned funds (surplus) to aggregate write-ins for special surplus funds in accordance with applicable statutory guidance. The annual fee has been repealed beginning in 2021, and therefore the Corporation did not reflect an amount in aggregate write-ins for special surplus funds at December 31, 2020, but reclassified these funds back to unassigned funds (surplus). As of December 31, 2021, no amounts were presented as aggregate write-ins for special surplus funds.

**ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION**

There were no changes made to the financial statements as a result of this examination.

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

Note 1:

Claims unpaid

In order for the examination team to gain an adequate comfort level with the Company's reserve estimates, the Department retained the actuarial services of INS Consultants, Inc. (INS) to perform a risk-focused review of the Company's reserving and pricing activities. Certain risks within the pricing and reserving processes required Phase 5 substantive test work.

Based on the procedures performed and results obtained by INS, the examination team obtained sufficient evidence to support the conclusion that the Company's net reserve estimates were reasonably stated as of December 31, 2021.

**SUBSEQUENT EVENTS**

The following material subsequent events occurred, requiring disclosure in this examination report.

*Risk Sharing Agreement*

On May 14, 2021, the Company entered into a Medicare Advantage Risk Sharing Agreement (Agreement) with Leeward Health, LLC (Newco). Newco is a joint venture formed for the purpose of entering into and performing this Agreement, the sole members of which are Christiana Care Health System, Inc. (CCHS) and Bayhealth Medical Center, Inc. (BMC). CCHS and BMC are independent entities that provide health care services through their respective hospitals and other health facilities and programs in the State of Delaware.

The Company, CCHS and BMC believe that Delaware seniors do not currently have access to the full spectrum of Medicare insurance coverages, which limits their access to quality health care. In order to address this concern, the Parties collaborated in the development, implementation and operation of a new competitive Medicare Advantage product in the State of Delaware (the MA Product) with the goals of improving clinical outcomes for Delaware seniors, aligning the objectives of the Parties and eliminating redundancies and managing outcomes and costs in a way that produces a sustainable product. The Agreement defines the responsibilities of the parties, establishment of an MA Product Steering Committee, financial arrangements, intellectual property, term and termination, restrictive covenants, indemnification and dispute resolution as well as other key items pertinent to the establishment of the Agreement.

The initial term of the Agreement is for a five (5) year period commencing on the effective date and shall automatically renew for a successive two (2) year terms following the end of the initial term and each renewal term unless either Party provides the other Party with written notice of non-renewal not less than one hundred eighty (180) days prior to the expiration of the then-current Term.

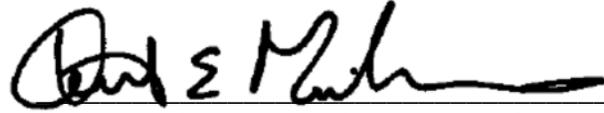
### **SUMMARY OF RECOMMENDATIONS**

There were no examination report findings or recommendations as a result of the December 31, 2021, examination.

Highmark BCBSD Inc.

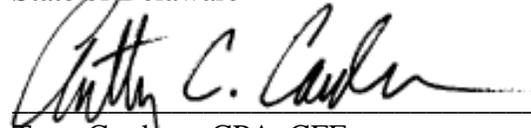
The assistance and cooperation of the Company's outside audit firm, PwC, and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,



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Keith E. Misenheimer, CFE, ALMI, CFE, ARM  
Examiner-In-Charge  
State of Delaware

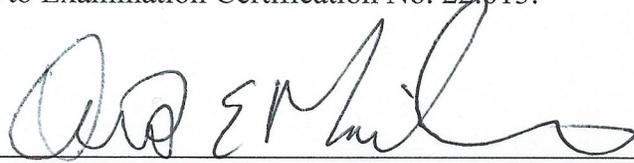


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Tony Cardone, CPA, CFE  
Supervising Examiner  
State of Delaware

Highmark BCBSD Inc.

I, Keith E. Misenheimer, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to Examination Certification No. 22-013.

A handwritten signature in black ink, appearing to read 'Keith E. Misenheimer', written over a horizontal line.

Keith E. Misenheimer, CFE, ALMI, CFE, ARM